

The Congressional Issue Monitor

Congressman Jim Nussle

Manchester, Iowa

Summer 2001

Jim Nussle's Agenda for Iowa...

➤ ***Strengthening
the Family Farm***

➤ ***Eliminate
Debt, Lower
Taxes &
Responsible
Budgets***

➤ ***Long-term
Energy Strategy
Promoting
Renewable Sources
& Conservation***

➤ ***Retirement
Security for All
Iowans***

➤ ***Modernize
Medicare with
Prescription Drugs***

➤ ***Leave No Child
Behind By
Reforming
Education with
Local Control***

➤ ***Keep Our
Nation's Promise to
Our Veterans***

➤ ***Fair Trade
for Better Jobs
and Wages***

Eliminate Debt, Lower Taxes and Responsible Budgets

"The people of Iowa should only be taxed for the collective needs of our nation . . . not one penny more and not one penny less. As Chairman of the House Budget Committee, I demand of our Federal Government a responsible Budget in order to address and plan for those collective needs of our nation and as a member of the tax writing committee (Ways and Means) I demand a fair and balanced Tax Code to ensure the federal responsibilities are paid for. The Tax Surplus is not the government's money, it's the people's money and it should be returned to them to meet their needs."

Jim Nussle

AGENDA GOALS (Budget):

1. **Balanced Budget**
2. **Eliminate Debt held by public in 10 years**
3. **Protect entire Social Security Trust Fund**
4. **Protect entire H.I. Medicare trust Fund for Medicare Modernization & Drug Benefit**
5. **Reduce Taxes \$1.3 Trillion over 10 years**
6. **Hold discretionary spending to rate of inflation**
7. **Reform Budget Process**
8. **Budget for Emergencies**
9. **Long-term Budget Planning**

AGENDA GOALS (Taxes):

1. **Lower All Tax Rates**
2. **Eliminate Death Tax**
3. **Eliminate Marriage Penalty**
4. **Increase Child Tax Credit**
5. **Fix AMT**

AGENDA GOALS (Eliminate Debt):

1. **Maximum Elimination of Debt held By Public**

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Eliminate Debt, Lower Taxes and Responsible Budget Agenda Legislation:

FY 2002 Budget Resolution (H.Con.Res. 83)

- Provides for \$1.35 trillion in tax relief over the next 11 years – starting with this year.
 - ✓ The tax relief plan will cut taxes for everyone who pays income taxes today.
 - ✓ The greatest *percentage* reduction will go to the lowest-income families.
 - ✓ Six million low income families will be removed from the tax rolls.
 - ✓ Because the long economic expansion that began almost 10 years ago is slowing, elements of the tax cut (i.e., marginal rate reduction) *are made retroactive*.
- The budget eliminates an historic \$2.3 TRILLION in public debt by 2011.
- **Budget 2002: Maximum Debt Elimination \$2.4 Trillion over 10 years**
- **Comprehensive Budget Process Reform**

H.R. 12 - Pension Reform Act

- Amends the Internal Revenue Code of 1986 to increase the limitation on contributions to individual retirement accounts.

H.R. 15 - Capital Gains Relief

- Reduces the maximum capital gains tax rate for individuals to 15 percent, down from the current rate of 20 percent. Additionally, it would reduce the preset first-tier rate of 10 percent to 7.5 percent, and the maximum rate for corporations to 28 percent.

H.R. 41 - Permanent R&D Tax Incentive

- Establishes a permanent tax incentive for research and development.

H.R. 236 - Telephone Excise Tax Repeal Act

- Eliminates the 3% federal excise tax on telecommunications services, including telephone service for customers.

H.R. 267 - Broadband Internet Access Act of 2001

- Gives tax credits to companies who deploy broadband services to rural areas. 10% tax credit for deployment of current generation broadband (1.5 mbps) or 20% tax credit for next general broadband deployment (22 mbps.) Time frame is limited between 2001 and 2005 to spur quick results.

H.R. 335 - National Advisory Commission on Tax Reform Act of 2001

- Establishes a 15-member commission to conduct an 18-month study on the tax code and report back to Congress with reform and simplification recommendations.

H.R. 1134 - Former Insurance Agents Tax Equity Act of 2001

- Follows up on a fix that was made in the Taxpayer Relief Act of 1997 (also by Weller), when certain retired insurance agents (from the larger companies like State Farm) were relieved of having to pay self-employment taxes on their retirement benefits. Shortly after TRA'97 was enacted, some insurance agents (whose retirement benefit amounts are tied to years in service) made Weller aware that they are still being treated unfairly. Weller agreed to introduce this bill to fix the problem for the remaining agents.

H.R. 1357

- Permanently extend the subpart F exemption in the tax code (which expires December 2001) for active financing (banking, financing, or similar business) income earned on business operations overseas. This permits American financial services firms doing business abroad to defer U.S. tax on their earnings from their foreign financial services operations until such earnings are returned to the U.S. parent company.

Legislation approved by House

H.R. 3 - Economic Growth and Tax Relief Act of 2001

- Lowers individual tax brackets.

H.R. 6 - Marriage Elimination Act

- Reduces the marriage penalty by providing for adjustments to the standard deduction, 15-percent rate bracket, and earned income credit; and to allow the nonrefundable personal credits against regular and minimum tax liability.

H.R. 8 - Death Tax Elimination

- Phases out the estate and gift taxes over a 10-year period.

H.R. 1836 - Economic Growth and Tax Relief Reconciliation Act

Marginal Rate Reductions

- Creates new rate structure: 10 percent, 15 percent, 25 percent, 28 percent, 33 percent, and 35 percent.
- Gives lump-sum refund of \$300 for single taxpayers, \$500 for single parents, and \$600 for married taxpayers this year.
- New 10 percent rate effective January 1, 2001, on first \$6,000 (singles) and \$12,000 (couples).
- Repeals personal exemption (PEP) and itemized deductions phase-outs beginning in 2006.

Marriage Penalty Repeal

- 15 percent bracket widened to twice that of singles.
- Eliminates marriage penalty in the standard deduction for non-itemizers.

Death Tax Repeal

- Repeals the death tax in 2010.
- Phases in increase in the unified credit to \$4 million in 2009.

Child Tax Credit Expansion

- Doubles the child credit from \$500 to \$1,000. (\$600 in 2001-07, \$700 in 2008, \$800 in 2009, \$1,000 in 2010).

Retirement Savings

- Increases IRA contributions from \$2,000 to \$5,000.
- Increases 401(k) and other tax-deferred contribution limits from \$10,500 to \$15,000.
- IRA catch-up contributions.
- Modifies Section 415 aggregation rules for multi-employer plans.

Education Incentives

- Increases education savings accounts (ESAs) from \$500 to \$2,000 and expands to K-12 public and private education.
- Above-the-line deduction for higher education expenses.
- Allows private institutions to offer pre-paid tuition plans.
- Makes permanent employer-provided educational assistance exclusion.

Adoption Tax Credit

- Increases the credit to \$10,000 for special needs (currently \$6,000) and non-special needs (currently \$5,000).
- Increases the income phaseout range from current \$75,000 to \$150,000.

Alternative Minimum Tax

- Adjusts alternative minimum tax (AMT) to prevent taxpayers from losing benefits of tax reductions in the bill.